

ILLINOIS COMMERCE COMMISSION

DOCKET No. 14-_____

DIRECT TESTIMONY

OF

KAREN R. ALTHOFF

Submitted on Behalf Of

**AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

June 30, 2014

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I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

A. My name is Karen R. Althoff. My business address is 370 S. Main Street,
Decatur, IL 62523.

Q. By whom are you employed and in what capacity?

A. I am a Supervisor of Rates and Analysis, providing regulatory services for
Ameren Illinois Company d/b/a Ameren Illinois ("AIC" or "Company").

Q. Please describe your educational background and relevant work experience.

A. See my Statement of Qualifications, attached as an Appendix to this testimony.

Q. What are your current job duties and responsibilities?

A. My duties and responsibilities relating to the gas and electric rates of Ameren
Illinois include developing rate analyses and rate design and cost of service studies,
developing and interpreting gas and electric tariffs, testifying in regulatory proceedings,
and performing other rate-related projects as assigned.

22 **B. Purpose, Scope and Identification of Exhibits**

23 **Q. What is the purpose of your direct testimony in this proceeding?**

24 A. The purpose of my direct testimony is to support AIC's proposal for approval of
25 Rider CCA – Clean Coal Adjustment (“Rider” or Rider CCA”). This Rider would be a
26 new tariff in AIC's Schedule of Rates for Electric Service. My testimony provides the
27 Commission with an overview of Rider CCA which is the culmination of and in
28 compliance with the Order in Docket No. 12-0544 dated December 19, 2012 and its
29 Amendatory Order dated January 29, 2013, and the Order in Docket No.13-0034 dated
30 June 26, 2013.

31 **Q. What is FutureGen?**

32 A. FutureGen Industrial Alliance, Inc. ("FutureGen") is a non-profit corporation
33 which has partnered with the Department of Energy. The partnership is for the purpose
34 of the development and repowering of Unit 4 of the Meredosia power plant and the
35 development of a CO2 pipeline and storage facility in Morgan County, Illinois.
36 FutureGen is the "Seller" in the Agreement with AIC being the "Buyer".

37 **II. EXPLANATION OF RIDER CCA**

38 **Q. Which of AIC's customers will be subject to Rider CCA?**

39 A. The costs passed through via Rider CCA are applicable to all retail customers of
40 AIC.

41 **Q. Please explain the components of the Clean Coal Adjustment.**

42 A. The Clean Coal Adjustment ("CCA") is comprised of the following components:
43 1) Clean Coal Costs ("CCC"); 2) any Automatic Reconciliation Adjustment ("ARA")
44 which will be determined monthly and 3) any Ordered Reconciliation Adjustment

("ORA") divided by Forecasted Total Retail Load in kWh. The Clean Coal Costs will be established by the Seller for a consecutive 12-month period beginning June 1 through May 31 ("Contract Year") except that if the commercial operation date does not occur on June 1, then the first Contract Year will run from the commercial operation date through the immediately following May.

Q. What costs would be included in the CCC component of the CCA?

A. The CCC component is equal to the sum of the monthly expenditures the Company expects to incur in connection with the Agreement. In addition to the above expenditures, additional expenditures may include but are not limited to the following: (1) the total cost, including return on any unamortized balances, relating to Information Technology and programming costs associated with modifications to the Company's billing system for application of the CCA, (2) administrative and general costs associated with AIC's obligations in connection with the Agreement, (3) legal and consultant fees associated with the implementation and administration of the Agreement, and (4) costs of working capital used to satisfy the Company's obligations under the Agreement. In addition, the working capital adjustment factor will be established by the Commission in AIC's electric delivery services rate cases, or formula rate proceeding pursuant to Section 16-108.5 of the Public Utilities Act ("Act"), whichever is applicable, and subsequently revised after each such proceeding.

Q. How does AIC propose to recover any capitalized costs through the CCC component?

A. Capitalized costs, net of accumulated depreciation and accumulated deferred income tax, would be amortized over five years, with the unamortized portion earning a

rate of return based on the most recent Commission ordered weighted average cost of capital for electric delivery service, grossed-up with the authorized gross revenue conversion factor, also as determined from the most recent Order. The annualized cost would be combined with other CCC costs.

Q. Please explain the ARA component of the CCA.

A. The purpose of the ARA component is to balance the CCA revenue billed with the actual CCC costs each month and to bill or credit any such under-or-over amounts to retail customers in the subsequent month. The ARA will be determined based on the following equation:

$$ARA = (ACCC_{rm} + ARA_{rmb} + ORA_{rmb} - CCCR_{rmb}) \times (1 + i)$$

The specifics of these components are 1) Actual Clean Coal Costs ("ACCC")_{rm}, 2) prior ARA_{rmb}, 3) prior ORA_{rmb}, and 4) Clean Coal Cost Recoveries_{rmb} ("CCCR") multiplied by one plus the applicable interest rate established by the Commission in accordance with Ill. Admin. Code 280.70(e)(1). Subscript rm relates to the most recent calendar month ending at least 40 calendar days prior to the start of the monthly Billing Period during which the CCA is applicable and subscript rmb equals the monthly Billing Period corresponding to the rm.

Q. What are the specifics of these components?

A. ACCC is equal to the expenditures the Company incurred in connection with the Agreement including but are not limited to the total cost, including return on any unamortized balances, relating to Information Technology and programming costs associated with modifications to the Company's billing system for application of the CCA, and legal and consultant fees associated with the implementation and

administration of the Agreement, during the rm. ARA_{rmb} relates to prior Automatic Reconciliation Adjustment equal to ARA used to determine the CCA applicable during the rmb. ORA_{rmb} is any prior Ordered Reconciliation Adjustment used to determine the CCA applicable during the rmb. $CCCR_{rmb}$ represents Clean Coal Cost Recoveries equal to the revenues billed due to the application of the CCA during the rmb.

Q. Please provide more detail on the ORA component.

A. The Ordered Reconciliation Adjustment is equal to an amount ordered by the Commission to be refunded to or collected from retail customers. Such amounts include interest charged at the rate established in accordance with 83 Ill. Adm. Code 280.70(e)(1). Such interest is calculated for the period of time beginning on the first day of the monthly billing period during which the incorrect CCA was applied and extending through the start of the monthly billing period during which the ORA is included in the determination of the CCA. ORA may be amortized over multiple monthly Billing Periods.

Q. Please explain the U component.

A. The U component means usage, in kWh, which is equal to the electricity forecasted to be delivered to retail customers; i.e., Forecasted Total Retail Load, during the monthly Billing Period.

III. INFORMATIONAL FILING

Q. Please explain how AIC will be handling informational filings.

A. Informational filings will be handled similar to AIC's other informational filings. Specifically, informational filings to this Rider will be filed with the Commission no

later than the 20th day of the month preceding the effective month of the Clean Coal Adjustment. The informational filings postmarked after that date but prior to the first monthly Billing Period after the CCA is filed, will be accepted only if it corrects an error or errors from a timely filed informational sheet for the same effective date. Any other informational sheet postmarked after that date shall be accepted only if submitted as a special permission request under the provision of Section 9-201(a) of the Act. The informational filing shall be accompanied by work papers showing the calculation of the CCA. A new Clean Coal Adjustment shall become effective on the first billing cycle of the Billing Period. A CCA shall continue in effect until replaced by a subsequent informational filing.

IV. ANNUAL AUDIT AND RECONCILIATION

Q. What will the annual audit report filed with the Commission entail?

A. This annual audit will be completed subsequent to a Contract Year and the determination of the ARA. AIC must conduct an audit of its costs and recoveries arising from this Rider with the audit also determining if 1) the CCAs are properly billed to customer bills; 2) the CCAs are properly calculated; 3) costs recovered through the Rider are recorded in the appropriate accounts, and 4) costs recovered through the Rider are properly reflected in the calculation of the CCAs and the Annual Reconciliation. This audit report must be submitted to the Commission in an informational filing, with copies of such report provided to the Manager of the Staff's Accounting Department. The audit, as verified by an officer of AIC, shall be submitted no later than November 1 following the completion of a Contract Year and annually thereafter.

Q. What is the procedural timing of the annual reconciliation discussed above?

A. The Company must request that the Commission initiate a Clean Coal Adjustment reconciliation proceeding within 90 calendar days after the Company submits the report outlined above. At the conclusion of such proceeding, the Commission determines the amount and timing of an ORA, if any, to include in the determination of subsequent CCAs determined in accordance with the provisions provided in the Determination of the Clean Coal Adjustment section of Rider CCA in order to correct for errors in CCAs applied during the June through May Billing Periods addressed in the proceeding. Any such ORA is determined to the extent that any such error has not been already reflected in an applicable ARA or ORA determined by the Company. After any such ORA is determined by the Commission, the Company must reflect such ORA in the determination of CCAs in accordance with an Order entered by the Commission that provides the terms under which the ORA is to be reflected in the determination of CCAs. The monthly CCA per kWh will be the same for each retail customer and will appear as a separate line on monthly bills.

V. TERMS AND CONDITIONS

Q. Please state any Terms and Conditions that apply to Rider CCA.

A. There are three Terms and Conditions of this Rider that I would like to point out. Customer's bills for service under this tariff shall be rendered and payments due in accordance with the Payment of Bills and Late Payments section of AIC's Customer Terms and Conditions. Next, service under this Rider is subject to the Customer Terms and Conditions, Standards and Qualifications for Electric Service, Tax Additions, and Supplemental Customer Charge Tariffs of this Schedule, as well as any other applicable rates, riders, taxes, adjustments, fees or charges that may be approved by the

159 Commission from time to time and are in effect. Finally, revenues associated with the
160 application of Rider CCA must be recorded separately by the Company.

161 **Q. Does this conclude your direct testimony?**

162 **A.** Yes, it does.

APPENDIX
STATEMENT OF QUALIFICATIONS
KAREN R. ALTHOFF

My educational background consists of a Bachelor of Science Degree in Accounting from Millikin University along with a Master of Business Administration degree. I am a Certified Public Accountant and a member of the American Institute of Certified Public Accountants ("CPA") and the Illinois CPA Society. I began employment with Illinois Power Company upon graduation from Millikin University. I then became an employee of Ameren Corporation upon the acquisition of Illinois Power Company by Ameren in September 2004. Beginning in 2009, I became an employee of AmerenCILCO. I then became an employee of Ameren Illinois on October 1, 2010 upon the merger of the three Ameren Illinois legacy companies.

While employed by Illinois Power Company, my initial position was in the Internal Auditing Department where I performed customer service, power plants and corporate function audits. I then held several positions in the Accounting Department including Accountant, Staff Accountant, Business Leader and Supervisor – Financial Reporting. My duties in the Accounting Department encompassed general accounting activities, reporting to various regulatory bodies and internal management reporting, and accounting for both electric fuel and gas purchases. I also worked in the company's Finance Department where I was responsible for capital expenditure forecasting. While in Finance, my work experience also included responsibilities for Investor Relations where I would respond to various inquiries of shareholders and financial analysts along with developing financial community presentations.

I then transferred to Illinois Power Company's Rate Department where I have held the positions of Senior Regulatory Specialist, Pricing and Costing Manager and Lead Rate Specialist. My duties and responsibilities relating to the gas and electric rates of Illinois Power have included developing rate analyses, rate design and cost of service studies, development and interpretation of gas and electric tariffs including standard terms and conditions; rules, regulations and conditions, testifying in regulatory proceedings; monitoring the Company's rate of return performance; and other rate or

regulatory projects as assigned. Upon the acquisition of Illinois Power Company by Ameren, I continued these responsibilities and also acquired additional responsibilities relating to regulatory filings and support of Ameren's Missouri operating company. In January 2008, I assumed duties solely related to Ameren Illinois regulatory responsibilities.

I have submitted testimony concerning class cost of service before the Illinois Commerce Commission in Docket No. 98-0680 regarding an investigation concerning certain tariff provisions under Section 16-108 of the Public Utilities Act and related issues, Docket Nos. 99-0129 and 99-0134 (Consolidated) regarding approval of the Company's Delivery Services Implementation Plan and Tariffs, Docket No. 01-0432 regarding electric Delivery Service Tariffs, Docket No. 04-0476 regarding embedded class cost of service study for the gas business, Docket No. 09-0306 – 09-0308 (Consolidated) regarding embedded class cost of service study for the electric business, Docket Nos. 11-0282 and 13-0192 regarding embedded class cost of service study and rate design for the gas business and Docket Nos. 13-0266 and 14-0262 regarding reconciliation of AIC's Utility Consolidated Bill and Purchase of Receivables. I have also presented testimony to the Federal Energy Regulatory Commission regarding AIC's wholesale distribution service. In addition, I have presented testimonies on various electric and gas miscellaneous type charges including single bill option credit.